

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF PARMA	County JACKSON
Fiscal Year End 02/28/2006	Opinion Date 08/30/2006	Date Audit Report Submitted to State 09/19/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

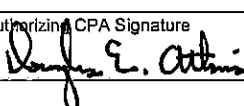
YES  
0

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY CPAs		Telephone Number (517) 782-9351	
Street Address 2880 SPRING ARBOR RD		City JACKSON	State MI
		Zip 49203	
Authorizing CPA Signature 		Printed Name DOUGLAS E. ATKINS, CPA	License Number 1101016353

**VILLAGE OF PARMA, INC.**  
JACKSON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

FEBRUARY, 28, 2006

VILLAGE OF PARMA, INC.  
FINANCIAL STATEMENTS

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# MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

### INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the **Village of Parma, Inc.**, as of and for the year ended February 28, 2006, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Parma, Inc. at February 28, 2006, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.


The Village has elected not to present a Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

The budgetary comparison information presented on pages 30-35 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Parma, Inc.'s basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,



MARKOWSKI & COMPANY CPAs  
August 30, 2006

VILLAGE OF PARMA, INC.  
BASIC FINANCIAL STATEMENTS



VILLAGE OF PARMA, INC.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF NET ASSETS**  
**FEBRUARY 28, 2006**

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 79,967	\$ 85,098	\$ 165,065	\$ 947,964
Investments	-	481,766	481,766	-
Receivables	5,471	22,687	28,158	-
Assessments receivable - Current	-	40,455	40,455	-
Due from other governments	133,126	-	133,126	-
Prepaid expenses	4,506	-	4,506	-
Advanced expenses	-	48,878	48,878	-
Internal balances	(159,050)	159,050	-	-
Total current assets	<u>64,020</u>	<u>837,934</u>	<u>901,954</u>	<u>947,964</u>
<b>Noncurrent Assets</b>				
Capital assets, net	739,737	4,393,158	5,132,895	352,120
Investments in joint ventures	141,818	-	141,818	-
Assessments receivable - Long term	-	449,306	449,306	-
Total noncurrent assets	<u>881,555</u>	<u>4,842,464</u>	<u>5,724,019</u>	<u>352,120</u>
Total assets	<u>945,575</u>	<u>5,680,398</u>	<u>6,625,973</u>	<u>1,300,084</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	12,495	32,797	45,292	345,150
Accrued payroll	4,225	-	4,225	-
Accrued interest payable	995	-	995	-
Deferred revenue	26,128	4,167	30,295	-
Capital leases and contracts - Current	3,456	100,000	103,456	-
Total current liabilities	<u>47,299</u>	<u>136,964</u>	<u>184,263</u>	<u>345,150</u>
<b>Noncurrent Liabilities:</b>				
Capital leases and contracts - Long term	29,080	2,530,000	2,559,080	-
Total liabilities	<u>76,379</u>	<u>2,666,964</u>	<u>2,743,343</u>	<u>345,150</u>
<b>NET ASSETS:</b>				
Invested in capital assets - net of related debt	707,201	1,763,158	2,470,359	352,120
Restricted for debt service	-	587,645	587,645	-
Unrestricted	161,995	662,631	824,626	602,814
Total net assets	<u>\$ 869,196</u>	<u>\$ 3,013,434</u>	<u>\$ 3,882,630</u>	<u>\$ 954,934</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 77,732	\$ 3,120	\$ -	\$ -
Public safety	131,873	4,327	615	-
Community planning	1,182	-	-	-
Public works	113,930	750	64,195	-
Cultural and recreation	11,272	-	4,064	-
Other	417	-	-	-
Total governmental activities	336,406	8,197	68,874	-
Business-type activities:				
Waste Water	90,731	70,461	-	-
Water	288,129	45,129	-	52,788
Garbage	54,864	53,062	-	-
Total business-type activities	433,724	168,652	-	52,788
Total primary government	\$ 770,130	\$ 176,849	\$ 68,874	\$ 52,788
<b>Component Units:</b>				
Local Development Finance Authority	\$ 206,153	\$ -	\$ -	\$ -

General revenues  
    Property taxes  
    LDFA surplus tax distribution  
    Franchise fees  
    State-shared revenues  
    Interest and rents  
    Other income  
Total general revenues

Change in net assets  
Net assets - Beginning  
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (74,612)	\$ -	\$ (74,612)	\$ -
(126,931)	-	(126,931)	-
(1,182)	-	(1,182)	-
(48,985)	-	(48,985)	-
(7,208)	-	(7,208)	-
(417)	-	(417)	-
(259,335)	-	(259,335)	-
-	(20,270)	(20,270)	-
-	(190,212)	(190,212)	-
-	(1,802)	(1,802)	-
-	(212,284)	(212,284)	-
(259,335)	(212,284)	(471,619)	-
			(206,153)
55,126	22,046	77,172	277,057
73,608	-	73,608	-
1,674	-	1,674	-
77,707	-	77,707	-
1,301	95,748	97,049	18,103
10,049	-	10,049	-
219,465	117,794	337,259	295,160
(39,870)	(94,490)	(134,360)	89,007
909,066	3,107,924	4,016,990	865,927
\$ 869,196	\$ 3,013,434	\$ 3,882,630	\$ 954,934

VILLAGE OF PARMA, INC.  
FUND FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 28, 2006

	General	Major Street	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,629	\$ 29,913	\$ 11,797	\$ 77,339
Investments	-	-	-	-
Receivables	5,471	-	-	5,471
Due from other funds	40,496	374	10,133	51,003
Due from other governments	122,086	8,095	2,945	133,126
Prepaid expenses	246	-	-	246
Total assets and other debits	<u>\$ 203,928</u>	<u>\$ 38,382</u>	<u>\$ 24,875</u>	<u>\$ 267,185</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,305	\$ -	\$ -	\$ 12,305
Due to other funds	179,733	9,504	-	189,237
Accrued payroll	4,225	-	-	4,225
Deferred revenue	26,128	-	-	26,128
Total liabilities	<u>222,391</u>	<u>9,504</u>	<u>-</u>	<u>231,895</u>
<b>FUND BALANCES</b>				
Fund balances - Unreserved	<u>(18,463)</u>	<u>28,878</u>	<u>24,875</u>	<u>35,290</u>
Total liabilities, fund equity and other credits	<u>\$ 203,928</u>	<u>\$ 38,382</u>	<u>\$ 24,875</u>	<u>\$ 267,185</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

Total fund balance - total governmental funds	\$ 35,290
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This includes capital assets of the Internal Service Fund.	
Capital assets	1,329,137
Accumulated depreciation	(589,400)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	
	(18,378)
The Village's insurance policies currently have a term of July 1, 2005 to July 1, 2006. For the statement of net assets, the unexpired premiums are reported as a prepaid expense.	
	4,260
Amount contributed to joint ventures is reported as an expense annually in the fund financial statements; the value of the Village's investment is reported as an asset in the full accrual government-wide financial statements.	
	141,818
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
	(32,536)
Interest on the long term liabilities which is payable as of the current fiscal year end, but not due until the following fiscal year, is accrued as a liability in the statement of net assets.	
	(995)
Net assets of governmental activities	<u>\$ 869,196</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28,2006**

	General Fund	Major Street	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes and penalties	\$ 55,126	\$ -	\$ -	\$ 55,126
Licenses and permits	6,001	-	-	6,001
Intergovernmental	155,994	47,875	16,320	220,189
Charges for service	3,870	-	-	3,870
Interest and rent	1,046	198	57	1,301
Other revenue	10,049	-	-	10,049
Total revenues	232,086	48,073	16,377	296,536
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	74,468	-	-	74,468
Public safety	106,485	-	-	106,485
Community planning	1,182	-	-	1,182
Public works	19,321	26,794	11,940	58,055
Cultural and recreation	8,774	-	-	8,774
Other	417	-	-	417
Capital outlay	-	-	-	-
Debt service	4,952	-	-	4,952
Total expenditures	215,599	26,794	11,940	254,333
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	16,487	21,279	4,437	42,203
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES AND OTHER FINANCING FINANCING USES</b>	16,487	21,279	4,437	42,203
<b>FUND BALANCE - Beginning</b>	(34,950)	7,599	20,438	(6,913)
<b>FUND BALANCE - Ending</b>	\$ (18,463)	\$ 28,878	\$ 24,875	\$ 35,290

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF PARMA, INC.**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

Net change in fund balances - total governmental funds	\$ 42,203
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets purchased in the current period.	4,469
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(66,260)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund is included in governmental activities.	1,701
The effect of reporting insurance expenses based on the full accrual method for the statement of activities results in a higher expense than the actual premiums paid this year.	(135)
The value of the Village's investment in joint ventures changes annually based upon the results of their operations. This change is adjusted to the Village's public safety expense in the government-wide financial statements.	(25,257)
Principal payments on long term debt are applied to the liability balance under the full accrual accounting method. As a result, this year's principal payment is removed from the Village's expenditures.	3,305
Interest expense differs from the actual interest paid when using the full accrual method of accounting. This year, the difference results in a lower expense.	104
Change in net assets of governmental activities	\$ (39,870)

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FEBRUARY 28, 2006**

ASSETS	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 57,902	\$ 10,225	\$ 16,971	\$ 85,098	\$ 2,628
Investments	461,488	20,278	-	481,766	-
Accounts receivable	7,523	7,060	8,104	22,687	-
Assessments receivable - Current	-	40,455	-	40,455	-
Due from other funds	80,143	99,139	-	179,282	-
Advanced expenses	48,878	-	-	48,878	-
Total current assets	655,934	177,157	25,075	858,166	2,628
<b>NONCURRENT ASSETS:</b>					
Capital assets, net	234,215	4,158,943	-	4,393,158	15,411
Assessments receivable	-	449,306	-	449,306	-
Deferred expenses	-	-	-	-	-
Total noncurrent assets	234,215	4,608,249	-	4,842,464	15,411
Total assets	890,149	4,785,406	25,075	5,700,630	18,039
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	16,594	12,906	3,297	32,797	190
Accrued interest payable	-	-	-	-	-
Accrued payroll	-	-	-	-	-
Due to other funds	30	20,202	-	20,232	20,816
Deferred revenue	1,816	809	1,542	4,167	-
Capital leases payable - Current	-	100,000	-	100,000	-
Total current liabilities	18,440	133,917	4,839	157,196	21,006
<b>NONCURRENT LIABILITIES:</b>					
Capital leases payable	-	2,530,000	-	2,530,000	-
Total liabilities	18,440	2,663,917	4,839	2,687,196	21,006
<b>NET ASSETS:</b>					
Invested in capital assets - net of related debt	234,215	1,528,943	-	1,763,158	15,411
Restricted for debt service	-	587,645	-	587,645	-
Unrestricted	637,494	4,901	20,236	662,631	(18,378)
Total net assets	\$ 871,709	\$ 2,121,489	\$ 20,236	\$ 3,013,434	\$ (2,967)

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 69,559	\$ 44,900	\$ 52,037	\$ 166,496	\$ 20,141
Interest and penalties	902	229	1,025	2,156	-
Total operating revenues	70,461	45,129	53,062	168,652	20,141
<b>OPERATING EXPENSES:</b>					
<b>Administrative:</b>					
Clerical salaries	7,156	6,900	7,999	22,055	-
Payroll taxes	333	360	168	861	-
Office supplies	329	688	700	1,717	-
Other	-	308	-	308	-
Professional services	2,648	4,073	1,421	8,142	1,411
Total administrative expenses	10,466	12,329	10,288	33,083	1,411
<b>Operations and maintenance:</b>					
Salaries	1,499	880	-	2,379	7,874
Payroll taxes	115	68	-	183	602
Contract services	30,145	33,668	44,576	108,389	-
Professional services	-	751	-	751	-
Utilities	4,856	15,923	-	20,779	2,560
Repairs and maintenance	15,261	4,694	-	19,955	3,080
Operating supplies	-	11,458	-	11,458	2,650
Equipment usage/Rent	3,417	547	-	3,964	300
Miscellaneous	-	-	-	-	-
Depreciation	24,972	114,786	-	139,758	13,573
Total operations and maintenance	80,265	182,775	44,576	307,616	30,639
Total operating expenses	90,731	195,104	54,864	340,699	32,050
<b>OPERATING INCOME</b>	<b>(20,270)</b>	<b>(149,975)</b>	<b>(1,802)</b>	<b>(172,047)</b>	<b>(11,909)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Taxes - Hydrant	-	22,046	-	22,046	-
Connection fees	-	52,788	-	52,788	-
Interest income	16,332	79,416	-	95,748	37
Connection expenses	-	(1,450)	-	(1,450)	-
Interest expense	-	(91,575)	-	(91,575)	-
Total non-operating revenues (expenses)	16,332	61,225	-	77,557	37
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(3,938)</b>	<b>(88,750)</b>	<b>(1,802)</b>	<b>(94,490)</b>	<b>(11,872)</b>
<b>TOTAL NET ASSETS - Beginning of year</b>	<b>875,647</b>	<b>2,210,239</b>	<b>22,038</b>	<b>3,107,924</b>	<b>8,905</b>
<b>TOTAL NET ASSETS - End of year</b>	<b>\$ 871,709</b>	<b>\$ 2,121,489</b>	<b>\$ 20,236</b>	<b>\$ 3,013,434</b>	<b>\$ (2,967)</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	Waste Water	Water	Garbage	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 72,350	\$ 43,668	\$ 56,495	\$ 172,513	\$ -
Payments to suppliers	(85,494)	(66,103)	(43,400)	(194,997)	(10,321)
Payments to employees	(9,103)	(8,208)	(8,167)	(25,478)	(8,476)
Receipts for interfund services provided	-	-	-	-	20,141
Payment for interfund services provided	(3,417)	(547)	-	(3,964)	-
Net cash provided (used) by operating activities	(25,664)	(31,190)	4,928	(51,926)	1,344
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Collection of connection fees	-	50,850	-	50,850	-
Collection of assessments	-	70,622	-	70,622	-
Collection of taxes	-	22,046	-	22,046	-
Purchase of capital assets	-	-	-	-	-
Connection expenses paid	-	(1,450)	-	(1,450)	-
Principal and interest paid on capital debt	-	(186,575)	-	(186,575)	-
Net cash provided (used) by capital and related financing activities	-	(44,507)	-	(44,507)	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Interfund borrowings	50,131	1,959	-	52,090	(5,854)
Repayment of interfund borrowings	(2,127)	(22)	(1,143)	(3,292)	2,157
Net cash provided by non-capital financing activities	48,004	1,937	(1,143)	48,798	(3,697)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	-	79,138	-	79,138	37
Investments purchased	(22,063)	(20,000)	-	(42,063)	-
Net cash provided by investing activities	(22,063)	59,138	-	37,075	37
Net increase (decrease) in cash and cash equivalents	277	(14,622)	3,785	(10,560)	(2,316)
Balances - beginning of year	57,625	24,847	13,186	95,658	4,944
Balances - end of year	\$ 57,902	\$ 10,225	\$ 16,971	\$ 85,098	\$ 2,628
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (20,270)	\$ (149,975)	\$ (1,802)	\$ (172,047)	(11,909)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	24,972	114,786	-	139,758	13,573
Change in assets and liabilities					
Receivables - net	73	(2,270)	1,891	(306)	-
Advanced expenses	(45,931)	-	-	(45,931)	-
Accounts and other payables	13,676	5,460	3,297	22,433	(320)
Deferred revenue	1,816	809	1,542	4,167	-
Net cash provided by operating activities	\$ (25,664)	\$ (31,190)	\$ 4,928	\$ (51,926)	\$ 1,344

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
FEBRUARY 28, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,962
Investments	16,419
Accounts receivable	<u>3,598</u>
Total assets	<u>\$ 23,979</u>
<u>LIABILITIES</u>	
Accrued payroll taxes and withholdings	\$ 4,967
Due to other funds	-
Due to other groups	<u>19,012</u>
Total liabilities	<u>\$ 23,979</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PARMA, INC.  
NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF PARMA, INC.  
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**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the Village of Parma, Inc (the Village) conform to accounting principles generally accepted (GAAP) in the United States of America as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village.

**A. REPORTING ENTITY**

The Village of Parma is incorporated under the provisions of Act 3 of 1895, as amended (General Law Village). The Village operates under an elected Council (five voting members, plus an elected clerk and treasurer) and provides the following services to its more than 900 residents: public safety (police, fire, and inspections), highways and streets, sanitation, cultural and recreation, planning and zoning, and general administrative services.

The accompanying financial statements of the Village of Parma, Inc. include its primary government and its component units, entities for which the primary government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

**Discretely Presented Component Unit** - Based on the criteria established by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Local Development Finance Authority of the Village of Parma, Inc. (LDFA) has been included in the reporting entity as a discretely presented component unit. The LDFA was created by the Village in a resolution dated December 12, 1988 (most recently amended January 4, 2001) under the authority of Michigan Public Act 281.

The LDFA is governed by a separate eleven member board, consisting of four members appointed by the Village, three appointed by Sandstone Township, two appointed by Western School District and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition and development (including the extension of roads and utilities) for a certified industrial park. The LDFA also services the construction related bonded indebtedness.

A copy of the LDFA's audited financial statements may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI 49269.

**Joint Ventures** - The Village participates in joint ventures with Sandstone Charter Township and Parma Township for fire protection (Parma Sandstone Fire Department) and police services (Parma-Sandstone Inter-Municipal Police Department). The financial statements of these joint ventures are not included in these statements. The Village's equity in the joint ventures is reported as an investment in joint ventures in the government-wide financial statements.

A copy of the audited financial statements of these joint ventures may be obtained at the Village of Parma's offices at 117 W. Main St., Parma, MI. 49269.

VILLAGE OF PARMA, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (90 days for property taxes and state shared revenues). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** (Continued)

Major governmental funds (continued):

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Village reports the following nonmajor funds:

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Downtown Development Authority Fund accounts for revenues set aside by the Village Council to create and implement a revitalization plan for the Village's downtown area.

The Village reports the following major proprietary funds:

The Waste Water, Water and Garbage Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the Village reports the following fund types:

The Motor Pool Fund (an Internal Service fund) accounts for major machinery and equipment purchases and maintenance, provided to other departments of the Village on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements)

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes one agency fund. Since agency funds are custodial in nature, they do not involve the measurement or results of operations. The agency funds are as follows:

The Trust and Agency Fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

The Stay-n-Play Playground Fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. CASH AND CASH EQUIVALENTS AND INVESTMENTS -**

The Village considers cash on hand, cash in checking and savings accounts, or short term investments with an original maturity of less than 90 days as cash and cash equivalents for balance sheet purposes.

The Village Treasurer has invested certain cash in excess of current needs in bank and federally chartered credit union certificates of deposit with original maturities greater than 90 days. These are reported as investments in the accompanying financial statements, and are reported at their original cost.

State statutes and Village policies allow the Village to invest in obligations of the U.S. Treasury, certificates of deposit, certain commercial paper and corporate bonds, certain repurchase agreements, and investment pools whose assets are comprised of investments which would be legal if the Village invested directly in them.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**E. RECEIVABLES -**

The Village records various receivables which are listed and described as follows:

**Accounts Receivable** - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of year end.

**Due From Other Governments** - This account is for amounts due from the State of Michigan for State shared revenue and Act 51 distributions. Amounts due from Jackson County for delinquent property taxes and ordinance fine distributions, reimbursements due from townships participating in the joint ventures, and amounts due from the Village of Parma Local Development Finance Authority are also reported as due from other governments.

**Assessments Receivable** - The Village allowed residents to finance their portion of water supply project costs over twenty years through a special assessment. The portion due within one year is reported as a current asset.

**F. CAPITAL ASSETS -**

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, signs, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	10 to 30 years
Waste Water and Water lines	30 to 50 years
Paved Roads	20 years
Vehicles and equipment	5 to 10 years

**G. COMPENSATED ABSENCES -**

The Village does not allow the accumulation of unused sick or vacation time for its employees.

VILLAGE OF PARMA, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. LONG TERM OBLIGATIONS -

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The annual budget is approved by the Village Council prior to the start of its fiscal year, and after holding a public hearing. The budget may be amended at any public meeting by a majority vote of the Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

B. BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated. The Village also did not adopt budgets for its other governmental funds. These are violations of Michigan Public Act 2 of 1968, commonly known as the Budgeting Act.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)**

**B. BUDGET VIOLATIONS - (Continued)**

The detail of General Fund budget violations are presented in the following table:

Fund/Department	Final Amended Budget	Actual	Excess Expenditures Over Appropriations
<b>GENERAL FUND:</b>			
Village Council	\$ 38,150	\$ 38,442	\$ (292)
Clerk	6,207	6,460	(253)
Parma-Sandstone Police	58,745	62,570	(3,825)
Village Police	6,700	9,418	(2,718)
Inspections	2,500	4,403	(1,903)
Library	-	4,104	(4,104)
Other Functions	-	417	(417)
Debt Service	-	4,952	(4,952)
<b>MAJOR STREET FUND:</b>			
Winter Maintenance	650	2,526	(1,876)
Traffic Control	200	267	(67)
Roadside Park Maintenance	-	400	(400)
<b>LOCAL STREET FUND:</b>			
Winter Maintenance	650	2,289	(1,639)

**C. DEFICIT FUND BALANCE -**

The Village is also in violation of Public Act 2 of 1968 for having deficit fund balances in its General Fund and Motor Pool Fund as of February 28, 2006. The General Fund deficit amount has actually reduced from \$63,470 at February 28, 2004, to \$18,463 as of February 28, 2006. The deficit of \$2,967 in the Motor Pool Fund was created by the large operating loss incurred this year. The Village is working to increase the rental revenues and decrease the maintenance costs in this fund to eliminate the deficit.

The Village has not yet updated its deficit elimination plan which is on file with the Michigan Department of Treasury. This should have been done within 90 days of the fiscal year end.

**D. BUILDING PERMITS:**

The Village complied with state law requiring separate accounting for building permit fees and the related costs by establishing departments within the General Fund. Revenue for the year was \$4,327; the expenses were \$4,403.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

During the fiscal year ended February 28, 2006, the Village did not violate its investment policies (see Note 1D).

**Interest Rate Risk** – is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in its fair value. The Village minimizes this risk by balancing the length of maturity and holding securities to maturity, when they will be honored at face value.

**Credit Risk** – including **custodial credit risk**, refers to the risk that an issuer or other party to a financial instrument will not fulfill its obligation. The Village attempts to minimize this risk by investing only in certificates of deposit issued by local financial institutions. There are no limits in the Village policy regarding the amount that may be invested or deposited with a particular financial institution.

The Village's deposits consist of checking and savings accounts and deposits with local banks and a small amount of cash on hand. At year end, the Village's carrying amount of deposits was \$169,027 and the bank balance was \$279,837. \$100,000 of the bank balance was covered by federal depository insurance, leaving \$179,837 uninsured.

The bank balance of deposits for the LDFA, a discretely presented component unit, was \$949,030, with a reported balance of \$947,964. Of these balances, only \$200,000 was covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At year end, the Village's investment balances were as follows:

	CATEGORY		CARRYING AMOUNT	MARKET VALUE
	1	2		
Certificates of deposit	\$ 200,000	\$ 298,185	\$ 498,185	\$ 498,185

**Foreign currency risk** – refers to the risk from investing in foreign currencies. Such investments are not allowed under the Village's investment policies, and no such investments were made during the year ended February 28, 2006.



**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 - INTERFUND RECEIVABLES AND TRANSFERS:**

The composition of interfund balances as of February 28, 2006 is as follows:

<u>Receivable Fund:</u>	<u>Due From Amount</u>	<u>Payable Fund:</u>	<u>Due To Amount</u>
		Water	\$ 20,202
		Motor Pool	20,294
			<u>40,496</u>
General	<u>\$ 40,496</u>		
		General Fund	176
		Motor Pool	198
			<u>374</u>
Major Street	<u>374</u>		
		General Fund	312
		Major Street	9,504
		Motor Pool	317
			<u>10,133</u>
Local Street	<u>10,133</u>		
		General	<u>80,143</u>
Waste Water	<u>80,143</u>		
		General	99,102
		Waste Water	30
		Motor Pool	7
			<u>99,139</u>
Water	<u>99,139</u>		
Total	<u><u>\$ 230,285</u></u>	Total	<u><u>\$ 230,285</u></u>

There were no interfund transfers during the year ended February 28, 2006.

**NOTE 5 - ADVANCED EXPENSES:**

The Village has capitalized certain preliminary engineering costs and initial operating expenses (incurred prior to placing the project in service) in its Waste Water fund. The project for which these costs have been incurred were not in service at February 28, 2006. When placed in service, the advanced expenses will be amortized over the project's useful life (expected to be forty years) using the straight-line method.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS:**

Capital asset activity of the Village during the current year was as follows:

	<u>2/28/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/29/06</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 8,275	\$ -	\$ -	\$ 8,275
Capital assets being depreciated				
Buildings and Improvements	216,462	-	-	216,462
Machinery and Equipment	66,928	-	(16,527)	50,401
Office Equipment	7,325	-	-	7,325
Vehicles	135,540	1,569	(10,346)	126,763
Infrastructure	917,011	2,900	-	919,911
Subtotal	<u>1,343,266</u>	<u>4,469</u>	<u>(26,873)</u>	<u>1,320,862</u>
Less - Accumulated depreciation:				
Buildings and Improvements	68,203	6,276	-	74,479
Machinery and Equipment	59,834	1,809	(16,527)	45,116
Office Equipment	6,965	360	-	7,325
Vehicles	114,789	11,892	(10,346)	116,335
Infrastructure	300,222	45,923	-	346,145
Subtotal	<u>550,013</u>	<u>66,260</u>	<u>(26,873)</u>	<u>589,400</u>
Total capital assets being depreciated, net	<u>793,253</u>	<u>(61,791)</u>	<u>-</u>	<u>731,462</u>
Governmental activities capital assets, net	<u>\$ 801,528</u>	<u>\$ (61,791)</u>	<u>\$ -</u>	<u>\$ 739,737</u>

(This schedule includes the capital assets of the Motor Pool Internal Service Fund).

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 - CAPITAL ASSETS: (Continued)**

	<u>2/28/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>2/29/06</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 47,440	\$ -	\$ -	\$ 47,440
Capital assets being depreciated				
Distribution and collection systems	5,409,352	-	-	5,409,352
Less - Accumulated depreciation:				
Distribution and collection systems	923,876	139,758	-	1,063,634
Total capital assets being depreciated, net	4,485,476	(139,758)	-	4,345,718
Business-type activities capital assets, net	\$ 4,532,916	\$ (139,758)	\$ -	\$ 4,393,158

There was no activity in the capital assets of the LDFA during the year ended February 28, 2006. The sole asset of the LDFA is vacant land suitable for industrial development. It is valued at its original cost of \$352,120.

Depreciation expense was charged to programs of the Village as follows:

**GOVERNMENTAL ACTIVITIES**

General Government	\$ 3,129
Public Works	45,923
Public Safety	157
Cultural and Recreation	2,498
Internal service fund depreciation is charged to Public Works based on asset usage.	14,553
Total governmental activities	<u>\$ 66,260</u>

**BUSINESS TYPE ACTIVITIES**

Waste Water	\$ 24,972
Water	114,786
Total business type activities	<u>\$ 139,758</u>

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 - INVESTMENT IN JOINT VENTURES:**

As discussed in Note 1, the Village participates in two joint ventures with Sandstone Charter Township and Parma Township. The Village has an ongoing financial obligation to fund 30 percent of the Parma - Sandstone Inter-Municipal Police Department. Its financial obligation with respect to the Parma Sandstone Fire Department will end April 1, 2006; until that time, the Village is responsible for 20 percent of the departments operating costs.

The Village reports its equity in these joint ventures as an investment, based upon its proportionate share of each entity's net assets. Summary financial statements are presented below:

	Parma-Sandstone Inter-Municipal Police Department (As of and for the year ended February 28, 2006)	Parma Sandstone Fire Department (As of and for the thirteen months ended March 31, 2006)
<b>Summary Statement of Net Assets:</b>		
<b>ASSETS:</b>		
Current assets	\$ 11,243	\$ 276,546
Capital assets, net of accumulated depreciation	124,949	316,507
Total assets	<u>136,192</u>	<u>593,053</u>
<b>LIABILITIES:</b>		
Current liabilities	295	1,712
Noncurrent liabilities - Accrued payroll	40,654	-
Total liabilities	<u>40,949</u>	<u>1,712</u>
<b>NET ASSETS:</b>		
Invested in capital assets:		
Townships	83,300	211,005
Parma Village	41,649	105,502
Total invested in capital assets	<u>124,949</u>	<u>316,507</u>
Unrestricted:		
Townships	(20,794)	271,155
Parma Village	(8,912)	3,679
Total unrestricted net assets	<u>(29,706)</u>	<u>274,834</u>
Total net assets	<u>\$ 95,243</u>	<u>\$ 591,341</u>
<b>Summary Statement of Activities:</b>		
Public safety expenses	\$ (210,191)	\$ (194,586)
Charges for service	-	11,670
Operating grants and contributions	207,158	419,536
Capital grants and contributions	-	10,148
Net (expense) revenue	<u>(3,033)</u>	<u>246,768</u>
General revenues	<u>14,469</u>	<u>573</u>
Change in net assets:		
Townships	17,276	266,658
Parma Village	(5,840)	(19,317)
Change in net assets	<u>\$ 11,436</u>	<u>\$ 247,341</u>

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - DEFERRED REVENUE:**

**A. GENERAL FUND -**

The Village has constructed a water supply system funded by the Michigan Department of Environmental Quality. This construction has been accounted for in the Village's General Fund. As of February 28, 2006, the Village had received grant reimbursements totaling \$23,850 more than qualified expenses. This amount is reported as deferred revenue.

Also, during 2006 Parma Township advanced a reimbursement for the joint venture police department to allow the Village to cover payroll. This advance of \$2,278 is reported as deferred revenue.

**B. PROPRIETARY FUNDS -**

Customer billings for utility usage in periods after February 28, 2006 have been reported as deferred revenue in these financial statements. The revenue will be recognized in the period services are provided to the customers, in accordance with the accrual basis of accounting.

**NOTE 9 - LONG TERM DEBT:**

The long term debt of the Village can be summarized as follows:

**A. GOVERNMENTAL LONG TERM DEBT:**

In June 2003, the Village and Parma Township entered into a capital lease agreement with a fire apparatus manufacturer. This was done to finance their portion of a new 2003 Kenworth tanker purchased for the joint venture fire department.

The total capital lease payable is for \$78,000, and it was sold to a financial institution by the manufacturer upon completion of the arrangement. The Village is responsible for the repayment of \$39,000, plus interest, of this capital lease. The other half is the responsibility of Parma Township. Payments are due over in ten annual payments beginning in June 2004. Payments are due as follows:

**B. BUSINESS - TYPE LONG TERM DEBT:**

The Village and LDFA have entered into contracts with the County of Jackson relating to the construction of a community water supply system, a water tower, and water system expansions to service the Village and the LDFA. Terms of the contracts required the County to construct the projects, and then lease them to the Village and LDFA for as long as County issued bonds and loans used to finance this construction are outstanding.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 - LONG TERM DEBT:**

**B. BUSINESS - TYPE LONG TERM DEBT: (Continued)**

The lease payments will be made in an amount sufficient to pay all principal and interest due on the County bonds and loans. The Village will be responsible for the operation, maintenance, and administration of the system. Ownership will revert to the Village upon retirement of the County debt.

The Village portion of the project was financed by the County Board of Public Works through a Michigan Drinking Water Revolving Loan Fund loan. The terms of this \$1,110,000 loan call for principal payments over twenty years, commencing April 1, 2003 and ending April 1, 2022. The County requires payments thirty days prior to this schedule. Interest is charged at a fixed rate of 2.5%.

The LDFA portion of the project was financed by the County Board of Public Works through the issuance of \$1,800,000 of general obligation limited tax bonds. Bond payments will be made starting with an interest only payment due on April 1, 2003 through the final interest and principal payment due on October 1, 2021. The County requires payments thirty days prior to this schedule. The Village will reimburse the Village for payments on this lease with tax increment revenues received from the LDFA. These reimbursements are recognized as connection fees and interest revenue when received.

A summary of the capital leases payable is as follows:

	<u>2/28/05</u>	<u>New Debt</u>	<u>Payments</u>	<u>2/28/06</u>
<b>Governmental Debt:</b>				
Contract payable	\$ 35,841	\$ -	\$ (3,305)	\$ 32,536
<b>Business-Type Debt:</b>				
Village Project lease	975,000	-	(45,000)	930,000
LDFA Project lease	1,750,000	-	(50,000)	1,700,000
Total business-type debt	2,725,000	-	(95,000)	2,630,000
Total long term debt	\$ 2,760,841	\$ -	\$ (98,305)	\$ 2,662,536

Payments are due as follows:

<u>Fiscal Year Ended</u>	<u>Governmental Debt</u>	<u>Business-Type Debt</u>	<u>Total</u>
February 28, 2007	\$ 4,953	\$ 187,700	\$ 192,653
February 29, 2008	4,953	184,325	189,278
February 28, 2009	4,953	206,294	211,247
February 28, 2010	4,953	202,888	207,841
February 28, 2011	4,953	204,313	209,266
February 28, 2012-2016	14,857	1,134,843	1,149,700
February 28, 2017-2021	-	1,137,712	1,137,712
February 28, 2022	-	225,125	225,125
Total payments	39,622	3,483,200	3,522,822
Less: Interest	(7,086)	(853,200)	(860,286)
Principal due	\$ 32,536	\$ 2,630,000	\$ 2,662,536

VILLAGE OF PARMA, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - FUND EQUITY:

A. RESERVED AND DESIGNATED:

Generally accepted governmental accounting principles require that fund equity be reserved in certain instances to reflect amounts not available for expenditure in future periods.

The Water Enterprise Fund has designated the assessments collected, plus the remaining balance receivable, less debt service payments to date, as being available only for debt service. This totaled \$587,645 at February 28, 2006.

B. RESTATED RETAINED EARNINGS:

In previous years, the Village did not report the balance receivable on assessments as part of the designated retained earnings. This change results in an increase in designated retained earnings as of February 28, 2005 of \$558,445.

NOTE 11 - PROPERTY TAXES:

The Village levies property taxes each July, based upon the taxable value of property as of the preceding December 31. The tax bills are due September 14. Taxes paid after that time incur a penalty of 1% per month. Taxes unpaid at February 28 are returned delinquent to the County Treasurer for collection. In return, the Village receives a payment for the unpaid taxes levied on real property, plus 6% penalty. The unpaid taxes levied on personal property (business equipment and fixtures, and certain leased property) are paid to the Village upon collection by the County. The Village is responsible for repayment to the County if the real taxes remain uncollected. The Village reimburses the County approximately \$100 annually for these taxes, plus interest.

On March 15, 1994 Michigan voters approved an amendment to the Michigan Constitution permitting ad valorem taxes to be levied on a non-uniform basis. Beginning in 1995, taxable property has two valuations - State Equalized Value (SEV - supposed to approximate 50% of the property's current fair value) and Taxable Value. Property taxes are levied on the Taxable Value. The Village relies on the township assessors from Parma and Sandstone Townships to determine these values.

Generally, taxable value is to be computed as the lesser of: a) Taxable Value of the immediately preceding year, adjusted for loss, multiplied by the lesser of the net percentage change in the property's SEV, the rate of inflation, or 5%, plus additions, or b) the property's SEV.

The Village's millage rate is established annually following a public hearing. Without voter approval, the rate is limited to that of the prior year adjusted to an amount necessary to increase the total levy (excluding additions and deletions) by an amount not to exceed the annual rate of inflation or 5%, whichever is lower.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 - PROPERTY TAXES:** (Continued)

A summary of the Village's Taxable Values, Operating Millage Rates, Total taxes Levied, Collections Through February 28, County Settlement for Real Taxes, and Unpaid Delinquent Personal Property Taxes at February 28 for the past five years is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Delinquent Real (Paid By County)	Delinquent Personals
2005	\$31,326,480	4.8593	\$ 152,223	\$ 148,907	\$ 3,267	\$ 49
2004	\$32,194,611	4.5986	\$ 148,048	\$ 145,150	\$ 2,755	\$ 143
2003	\$43,700,538	5.1200	\$ 223,746	\$ 219,307	\$ 4,404	\$ 35
2002	\$20,768,487	5.1200	\$ 106,333	\$ 100,490	\$ 5,709	\$ 134
2001	\$26,762,241	5.1200	\$ 137,023	\$ 131,820	\$ 5,122	\$ 81

The State of Michigan provides significant tax incentives to encourage industry to renovate and expand aging industrial facilities and to attract new industrial facilities under Michigan Public Act 198 of 1974. This Act allows units to establish districts within which property owners will pay an Industrial Facilities tax rather than an ad valorem tax for up to twelve years.

For such districts established prior to January 1994, plant and equipment is taxed at one-half the total mills levied by all taxing units. For new districts created after 1993, plant and equipment is taxed at one-half the total mills levied except mills levied under the State Education Tax Act, plus the number of mills levied under that Act.

There are currently nine IFT certificates (districts) in the Village of Parma. A summary of the past five years' levies is as follows:

Tax Year	Taxable Value	Operating Millage Rate	Total Levy	Collected Through 2/28	Returned Delinquent
2005	\$ 53,388,103	2.42965	\$ 129,733	\$ 129,733	\$ -
2004	\$ 56,581,697	2.30000	\$ 130,138	\$ 130,138	\$ -
2003	\$ 63,089,830	2.56000	\$ 161,510	\$ 161,510	\$ -
2002	\$ 74,177,789	2.56000	\$ 189,895	\$ 189,895	\$ -
2001	\$ 49,615,680	2.56000	\$ 127,016	\$ 127,016	\$ -

The Village's ad valorem and industrial facilities taxes levied on property within the Village of Parma LDFA are subject to capture by the LDFA. For the fiscal year 2006 (tax levy 2005), the LDFA captured the following amounts:

	TAXABLE VALUE	LEVY
Ad valorem	\$ 20,147,516	\$ 97,903
Industrial Facilities Tax	53,388,103	129,733
	<u>\$ 73,535,619</u>	<u>\$ 227,636</u>



**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 - PROPERTY TAXES:** (Continued)

In 2002, the Village began levying a special millage for hydrants and other community water system construction expenses which could not be attributed to a specific property. This tax levy is restricted to debt payments on the capital lease payable of the Water Enterprise Fund. A summary of the levy is as follows:

<u>TAX YEAR</u>	<u>TAXABLE VALUE</u>	<u>HYDRANT MILLAGE RATE</u>	<u>TOTAL LEVY</u>	<u>COLLECTED THROUGH 2/28</u>	<u>DELINQUENT REAL (PAID BY COUNTY)</u>	<u>DELINQUENT PERSONALS</u>
<b>Ad Valorem:</b>						
2005	\$31,326,480	0.3800	\$ 11,902	\$ 11,643	\$ 255	\$ 4
2004	\$32,194,611	0.3800	\$ 12,232	\$ 11,989	\$ 231	\$ 12
2003	\$43,700,538	0.3800	\$ 16,605	\$ 16,276	\$ 326	\$ 3
2002	\$20,768,487	0.3800	\$ 7,890	\$ 7,465	\$ 415	\$ 10
<b>Industrial Facilities Tax:</b>						
2005	\$53,388,103	0.1900	\$ 10,144	\$ 10,144	\$ -	\$ -
2004	\$56,581,697	0.1900	\$ 10,751	\$ 10,751	\$ -	\$ -
2003	\$63,089,830	0.1900	\$ 11,987	\$ 11,987	\$ -	\$ -
2002	\$74,177,789	0.1900	\$ 14,094	\$ 14,094	\$ -	\$ -

**NOTE 12 - EMPLOYEES' RETIREMENT PLANS:**

The Village of Parma has a Simple IRA plan, which was established in March of 1999, for its long-time DPW employee. The employee's contribution during the year was \$0; the Village match totaled \$0.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES:**

The Village has the following commitments and/or contingencies at February 28, 2006:

**A. SEWAGE TREATMENT:**

Tests performed during the fiscal year ended February 28, 2001 revealed that the Village's waste water treatment lagoons were leaking at a rate above that allowed by state statute. The State's Department of Environmental Quality has the authority to fine the Village up to \$25,000 per day for each day of noncompliance.

The Village is currently exploring its options to correct this problem, and has approved an application for project funding through a state revolving loan fund.

Preliminary plans project a \$4.9 million total cost to renovate and expand the Village's waste water treatment facility.

**VILLAGE OF PARMA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14 - GOING CONCERN:**

The Village incurred a substantial deficit in its General Fund during the year ended February 29, 2004, leaving it with an accumulated fund deficit (liabilities greater than assets of the fund). The Village had substantial capital outlays during 2004, which are not expected to recur; also, the revenue returned to the Village by the LDFA is expected to generate approximately \$65,000 during the next fiscal year, and into the foreseeable future. These two factors mitigate concern over the Village's ability to continue its operations.

As reported in these financial statements, the Village has reduced its General Fund deficit to \$18,463. This was assisted by an LDFA distribution of \$73,608, a \$10,000 donation from Michigan Automotive Compressor, Inc., and expenditure reductions.

**NOTE 15 - RISK MANAGEMENT:**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village participates in municipal self-insurance entities through the Michigan Municipal League for these risks. The entities obtain excess reinsurance to limit losses to participants.

**NOTE 16 - ECONOMIC DEPENDENCE:**

The Village received 36% of its General Fund revenue from essentially one taxpayer - Michigan Automotive Compressor, Inc. (MACI). Combining property taxes paid (\$691), the distribution from the LDFA (of which MACI is currently the only taxpayer - \$73,608), and a unrestricted donation of \$10,000 made during the fiscal year ended February 28, 2006, this company provided \$84,299 of the General Fund's revenue.

The Village also receives 33% of its General Fund revenue (\$77,707) and 99% of its Special Revenue Fund revenue (\$64,195 of \$64,450) from the State of Michigan. The Village is exposed to the risk that an economic downturn affecting either of those two entities would have a severe impact on its financial condition.

**NOTE 17 - SUBSEQUENT EVENTS:**

**A. WASTE WATER SYSTEM UPGRADES:**

The Village has studied its options to address problems with its waste water treatment lagoons (see Note 12) and tentatively decided to renovate and expand its treatment plant. The Village intends to proceed with this option, contingent to approval of its loan application filed in June 2005. The Village expects to receive a final determination on its application by the end of 2006. Early projections of the proposed project indicate that the Village's costs could be \$4.9 million.

VILLAGE OF PARMA, INC.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON -

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL:

GENERAL FUND

MAJOR STREET FUND

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
REVENUES:				
TAXES AND PENALTIES:				
Current property taxes	\$ 190,000	\$ 190,000	\$ 152,223	\$ (37,777)
Less: Captured by LDFA	(145,000)	(145,000)	(97,903)	47,097
Net current property taxes	45,000	45,000	54,320	9,320
Industrial Facilities Tax	130,000	130,000	129,733	(267)
Less: Captured by LDFA	(130,000)	(130,000)	(129,733)	267
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	66	66	-	(66)
Delinquent taxes collected	4,000	4,000	458	(3,542)
Administrative fee	480	480	166	(314)
Interest and penalties	-	-	182	182
Total taxes and penalties	49,546	49,546	55,126	5,580
LICENSES AND PERMITS:				
Cable TV franchise fees	1,800	1,800	1,674	(126)
Permits	2,500	2,500	4,327	1,827
Total licenses and permits	4,300	4,300	6,001	1,701
INTERGOVERNMENTAL:				
LDFA distribution of excess capture	65,110	65,110	73,608	8,498
State shared revenues	78,000	79,000	77,707	(1,293)
Liquor inspections	600	600	615	15
Library expense sharing	1,200	1,200	4,064	2,864
Total intergovernmental	144,910	145,910	155,994	10,084
CHARGES FOR SERVICES:				
Bookkeeping fees	2,400	2,400	600	(1,800)
Information searches	1,000	1,000	2,520	1,520
Sale of leaf bags	900	900	750	(150)
Total charges for service	4,300	4,300	3,870	(430)
INTEREST				
	\$ 600	\$ 600	\$ 1,046	\$ 446
OTHER:				
Miscellaneous	-	-	49	49
Donations - Police	-	-	10,000	10,000
Sidewalk assessments	-	-	-	-
Reimbursements	-	-	-	-
Total other revenue	-	-	10,049	10,049
Total revenues	203,656	204,656	232,086	27,430

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Budgeted Amounts		Actual	Variance With Final Budgeted
	Original	Final Amended		
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>Village Council:</b>				
Council salaries	\$ 23,000	\$ 23,000	\$ 22,526	\$ 474
Payroll taxes	1,700	1,700	1,110	590
Professional services	10,000	10,000	11,689	(1,689)
Contract services	1,700	1,700	1,735	(35)
Membership and dues	1,750	1,750	1,382	368
Total Village Council	38,150	38,150	38,442	(292)
<b>Elections:</b>				
Salaries	500	500	450	50
Payroll taxes	-	-	34	(34)
Supplies	500	500	436	64
Total elections	1,000	1,000	920	80
<b>Clerk:</b>				
Salary	3,557	3,557	3,739	(182)
Payroll taxes	1,150	1,150	1,019	131
Office supplies	1,500	1,500	1,702	(202)
Total clerk	6,207	6,207	6,460	(253)
<b>Treasurer:</b>				
Salary	3,557	3,557	3,616	(59)
Payroll taxes	1,150	1,150	1,004	146
Tax statements	50	50	12	38
Total treasurer	4,757	4,757	4,632	125
<b>Village Hall and Grounds:</b>				
Wages	-	-	296	(296)
Payroll taxes	-	-	23	(23)
Fringe benefits	-	-	-	-
Unemployment taxes	-	-	864	(864)
Workers compensation insurance	-	-	-	-
Office equipment repair	500	500	489	11
Office supplies	336	2,000	116	1,884
Operating supplies	1,000	1,336	2,153	(817)
Repairs and maintenance	350	350	315	35
Contract labor	-	-	-	-
Printing	-	-	94	(94)
Insurance	12,000	12,000	13,128	(1,128)
Utilities	6,870	6,870	5,111	1,759
Uniforms	675	675	501	174
Miscellaneous	1,900	900	924	(24)
Total village hall and grounds	23,631	24,631	24,014	617
<b>Total general government</b>	<b>73,745</b>	<b>74,745</b>	<b>74,468</b>	<b>277</b>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
EXPENDITURES: (Continued)				
Current: (Continued)				
PUBLIC SAFETY:				
Parma - Sandstone Police Department:				
Contribution to joint venture	\$ 59,262	\$ 58,745	\$ 62,570	\$ (3,825)
Total Parma - Sandstone Police	59,262	58,745	62,570	(3,825)
Village Police:				
Wages	5,000	5,000	5,016	(16)
Payroll taxes	400	400	384	16
Auto	800	800	1,537	(737)
Gas & Oil	500	500	912	(412)
Capital outlay	-	-	1,569	(1,569)
Total Village police	6,700	6,700	9,418	(2,718)
Parma - Sandstone Fire Department:				
Contribution to joint venture	32,000	30,353	30,094	259
Total Parma - Sandstone Fire	32,000	30,353	30,094	259
Inspections:				
Wages	-	-	1,320	(1,320)
Payroll taxes	-	-	101	(101)
Supplies	-	-	32	(32)
Inspector fees	2,500	2,500	2,950	(450)
Total inspections	2,500	2,500	4,403	(1,903)
Total public safety	100,462	98,298	106,485	(8,187)
COMMUNITY PLANNING:				
Planning Commission:				
Wages	1,700	1,700	1,100	600
Payroll taxes	75	75	48	27
Operating supplies	500	500	34	466
Total Planning Commission	2,275	2,275	1,182	1,093

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Budgeted Amounts		Actual	Variance With Final Budgeted
	Original	Final Amended		
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>PUBLIC WORKS:</b>				
<b>Sanitation and Landfill:</b>				
Wages	\$ 3,500	\$ 3,500	\$ 2,818	\$ 682
Payroll taxes	-	-	216	(216)
Spring clean up	-	-	-	-
Equipment usage	-	-	-	-
Total sanitation and landfill	3,500	3,500	3,034	466
<b>General Public Works:</b>				
Biodegradable leaf bags	880	880	960	(80)
Downtown/Community improvements	-	-	730	(730)
Street lighting	9,000	9,000	11,014	(2,014)
Sidewalk construction	-	-	-	-
Tree removal and replacement	5,000	5,000	3,583	1,417
Equipment usage	2,500	2,500	-	2,500
Total general public works	17,380	17,380	16,287	1,093
Total public works	20,880	20,880	19,321	1,559
<b>CULTURAL AND RECREATIONAL :</b>				
<b>Parks and Recreation:</b>				
Labor	900	900	466	434
Payroll taxes	150	150	36	114
Contract services	1,500	1,500	1,071	429
Pavillion	1,500	1,500	1,976	(476)
Utilities	2,000	2,000	1,020	980
Equipment usage	1,000	1,000	101	899
Parma - Sandstone Recreation	-	-	-	-
Total parks and recreation	7,050	7,050	4,670	2,380
<b>Library:</b>				
Utilities and maintenance	-	-	4,104	(4,104)
Total cultural and recreational	7,050	7,050	8,774	(1,724)
<b>OTHER FUNCTIONS:</b>				
Tax refunds	-	-	417	(417)
Total other functions	-	-	417	(417)
Total current expenditures	204,412	203,248	210,647	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
THE YEAR ENDED FEBRUARY 28, 2006

	Budgeted Amounts		Actual	Variance With Final Budgeted
	Original	Final Amended		
EXPENDITURES: (Continued)				
CAPITAL OUTLAY:				
General	\$ -	\$ -	\$ -	\$ -
Parks	-	-	-	-
Total capital outlay	-	-	-	-
DEBT SERVICE:				
Principal	-	-	3,304	(3,304)
Interest	-	-	1,648	(1,648)
Total debt service	-	-	4,952	(4,952)
Total expenditures	204,412	203,248	215,599	(4,952)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(756)	1,408	16,487	15,079
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(756)	1,408	16,487	15,079
FUND BALANCE - Beginning	(34,950)	(34,950)	(34,950)	-
FUND BALANCE - End	\$ (35,706)	\$ (33,542)	\$ (18,463)	\$ 15,079

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**MAJOR STREET FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Budgeted Amounts			Variance With
	Original	Final Amended	Actual	Final Budgeted
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	39,000	44,858	5,858
Metro Act revenue	-	-	3,017	3,017
Total intergovernmental	39,000	39,000	47,875	8,875
Interest	-	-	198	198
Total revenues	39,000	39,000	48,073	9,073
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Maintenance	35,100	35,100	21,921	13,179
Winter maintenance	650	650	2,526	(1,876)
Traffic Control	200	200	267	(67)
Drain maintenance	900	900	735	165
Roadside park maintenance	-	-	400	(400)
Nonmotorized projects	-	-	-	-
Administration	1,050	1,050	945	105
Total expenditures	37,900	37,900	26,794	11,106
EXCESS OF REVENUES UNDER EXPENDITURES	1,100	1,100	21,279	20,179
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	1,100	1,100	21,279	20,179
FUND BALANCE - Beginning of year	7,599	7,599	7,599	-
FUND BALANCE - End of year	\$ 8,699	\$ 8,699	\$ 28,878	\$ 20,179

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.  
ADDITIONAL INFORMATION

COMBINING FINANCIAL STATEMENTS - NON-MAJOR FUNDS  
FIDUCIARY FUND FINANCIAL STATEMENTS

**VILLAGE OF PARMA, INC.**

**COMBINING FINANCIAL STATEMENTS  
NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS:**

*LOCAL STREET FUND* - This fund was established to account for revenues distributed to the Village by the State of Michigan in accordance with Act 51. This money is restricted, and can only be used for the construction, improvement or maintenance of local streets within the Village boundaries. The use of this separate fund allows the Village to monitor its compliance with the requirements of Act 51.

*DOWNTOWN DEVELOPMENT AUTHORITY* - This fund was established by the Village Council to account for revenues set aside to create and implement a revitalization plan for the Village's downtown area.

VILLAGE OF PARMA, INC.  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FEBRUARY 28, 2006

	Local Street	Downtown Development Authority	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 11,692	\$ 105	\$ 11,797
Investments	-	-	-
Due from other funds	10,133	-	10,133
Due from other governments	2,945	-	2,945
	<hr/>	<hr/>	<hr/>
Total assets	\$ 24,770	\$ 105	\$ 24,875
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	-	\$ -
Due to other funds	-	-	-
Total liabilities	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
<b>FUND EQUITY:</b>			
Unreserved	24,770	105	24,875
	<hr/>	<hr/>	<hr/>
Total liabilities and fund equity	\$ 24,770	\$ 105	\$ 24,875
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**THE YEAR ENDED FEBRUARY 28, 2006**

	Local Street	Downtown Development Authority	Total
<b>REVENUES:</b>			
Intergovernmental	\$ 16,320	\$ -	\$ 16,320
Charges for service	-	-	-
Fines and forfeitures	-	-	-
Interest and rents	55	2	57
Other	-	-	-
Total revenues	<u>16,375</u>	<u>2</u>	<u>16,377</u>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	-	-	-
Maintenance	8,085	-	8,085
Winter maintenance	2,289	-	2,289
Traffic Control	-	-	-
Drain maintenance	621	-	621
Roadside park maintenance	-	-	-
Nonmotorized projects	-	-	-
Administration	945	-	945
Total public works	<u>11,940</u>	<u>-</u>	<u>11,940</u>
Community Development	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>11,940</u>	<u>-</u>	<u>11,940</u>
<b>EXCESS OF REVENUES UNDER</b>			
<b>    EXPENDITURES</b>	<u>4,435</u>	<u>2</u>	<u>4,437</u>
<b>OTHER FINANCING SOURCES (USES);</b>			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES AND</b>			
<b>    OTHER FINANCING SOURCES</b>			
<b>    OVER (UNDER) EXPENDITURES</b>			
<b>    AND OTHER FINANCING (USES)</b>	4,435	2	4,437
<b>FUND BALANCE - Beginning of year</b>	<u>20,335</u>	<u>103</u>	<u>20,438</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 24,770</u>	<u>\$ 105</u>	<u>\$ 24,875</u>

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**FIDUCIARY FUNDS:**

*TRUST AND AGENCY FUND* - This fund accounts for employee withholdings and other miscellaneous receipts held by the Village in an agent's capacity.

*STAY-N-PLAY PLAYGROUND FUND* - This fund accounts for money raised by a community group for the ongoing maintenance of the Stay-n-Play Adventureland playground constructed in the Village's Groner Park in May 1999.

VILLAGE OF PARMA, INC.  
 COMBINING BALANCE SHEET  
 TRUST AND AGENCY FUNDS  
 FEBRUARY 28, 2006

	Trust and Agency	Stay-n-Play Playground	Total
<b>ASSETS:</b>			
Cash	\$ 1,369	\$ 2,593	\$ 3,962
Investments	-	16,419	16,419
Accounts receivable	3,598	-	3,598
Total assets	<u>\$ 4,967</u>	<u>\$ 19,012</u>	<u>\$ 23,979</u>
<b>LIABILITIES:</b>			
Accrued payroll taxes and withholdings	\$ 4,967	\$ -	\$ 4,967
Due to other funds	-	-	-
Due to other governments	-	-	-
Due to other groups	-	19,012	19,012
Total liabilities	<u>\$ 4,967</u>	<u>\$ 19,012</u>	<u>\$ 23,979</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	Balance 02/28/05	Additions	Deletions	Balance 02/28/06
<b>TRUST AND AGENCY FUND:</b>				
<b>ASSETS:</b>				
Cash	\$ 5,459	\$ 96,785	\$ 100,875	\$ 1,369
Investments	-	-	-	-
Accounts receivable	522	3,076	-	3,598
Total assets	<u>\$ 5,981</u>	<u>\$ 99,861</u>	<u>\$ 100,875</u>	<u>\$ 4,967</u>
<b>LIABILITIES:</b>				
Accrued payroll taxes and withholdings	\$ 5,981	\$ 99,861	\$ 100,875	\$ 4,967
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Due to other groups	-	-	-	-
Total liabilities	<u>\$ 5,981</u>	<u>\$ 99,861</u>	<u>\$ 100,875</u>	<u>\$ 4,967</u>
<b>STAY-N-PLAY PLAYGROUND FUND:</b>				
<b>ASSETS:</b>				
Cash	\$ 1,480	\$ 1,118	\$ 5	\$ 2,593
Investments	16,989	430	1,000	16,419
Due from other funds	-	-	-	-
Total assets	<u>\$ 18,469</u>	<u>\$ 1,548</u>	<u>\$ 1,005</u>	<u>\$ 19,012</u>
<b>LIABILITIES:</b>				
Accrued payroll taxes and withholdings	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Due to other groups	18,469	1,548	1,005	19,012
Total liabilities	<u>\$ 18,469</u>	<u>\$ 1,548</u>	<u>\$ 1,005</u>	<u>\$ 19,012</u>
 Total	 <u>\$ 24,450</u>	 <u>\$ 101,409</u>	 <u>\$ 101,880</u>	 <u>\$ 23,979</u>

The notes to the financial statements are an integral part of this statement.



VILLAGE OF PARMA, INC.  
INDIVIDUAL FUND STATEMENTS

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**GENERAL FUND**  
**FEBRUARY 28, 2006**  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 35,629	\$ 74,044
Investments - At cost	-	-
Receivables	5,471	1,716
Due from other funds	40,496	47,015
Due from other governments	122,086	103,159
Prepaid expenses	246	4,340
	<u>246</u>	<u>4,340</u>
Total assets and other debits	<u>\$ 203,928</u>	<u>\$ 230,274</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 12,305	\$ 11,475
Due to other funds	179,733	229,899
Accrued payroll	4,225	-
Deferred revenue	26,128	23,850
Total liabilities	<u>222,391</u>	<u>265,224</u>
<b>FUND EQUITY:</b>		
Fund balance:		
Reserved	-	-
Designated	-	-
Unreserved and undesignated	<u>(18,463)</u>	<u>(34,930)</u>
Total fund equity	<u>(18,463)</u>	<u>(34,930)</u>
Total liabilities and fund equity	<u>\$ 203,928</u>	<u>\$ 230,294</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	Final Amended Budget	2006 Actual	Variance With Budget	2005 Actual
<b>REVENUES:</b>				
<b>TAXES AND PENALTIES:</b>				
Current property taxes	\$ 190,000	\$ 152,223	\$ (37,777)	\$ 148,048
Less: Captured by LDFA	(145,000)	(97,903)	47,097	(99,067)
Net current property taxes	45,000	54,320	9,320	48,981
Industrial Facilities Tax	130,000	129,733	(267)	130,138
Less: Captured by LDFA	(130,000)	(129,733)	267	(130,138)
Net Industrial Facilities Tax	-	-	-	-
Trailer park fees	66	-	(66)	132
Delinquent taxes collected	4,000	458	(3,542)	26
Administrative fee	480	166	(314)	224
Interest and penalties	-	182	182	212
Total taxes and penalties	49,546	55,126	5,580	49,575
<b>LICENSES AND PERMITS:</b>				
Cable TV franchise fees	1,800	1,674	(126)	1,716
Permits	2,500	4,327	1,827	3,652
Total licenses and permits	4,300	6,001	1,701	5,368
<b>INTERGOVERNMENTAL:</b>				
LDFA Distribution of excess capture	65,110	73,608	8,498	128,621
State shared revenues	79,000	77,707	(1,293)	78,691
Liquor inspections	600	615	15	615
Library expense sharing	1,200	4,064	2,864	1,964
Total intergovernmental	145,910	155,994	10,084	209,891
<b>CHARGES FOR SERVICES:</b>				
Bookkeeping fees	2,400	600	(1,800)	2,400
Information searches	1,000	2,520	1,520	-
Sale of leaf bags	900	750	(150)	534
Total charges for service	4,300	3,870	(430)	2,934
<b>INTEREST</b>				
	600	1,046	446	805
<b>OTHER:</b>				
Miscellaneous	-	49	49	-
Donations	-	10,000	10,000	-
Sidewalk assessments	-	-	-	498
Reimbursements - General	-	-	-	125
Total other revenue	-	10,049	10,049	623
Total revenues	204,656	232,086	27,430	269,196

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	Final Amended Budget	2006 Actual	Variance With Budget	2005 Actual
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>GENERAL GOVERNMENT:</b>				
<b>Village Council:</b>				
Council Salaries	\$ 23,000	\$ 22,526	\$ 474	\$ 19,997
Payroll taxes	1,700	1,110	590	2,835
Professional services	10,000	11,689	(1,689)	13,213
Contract services	1,700	1,735	(35)	1,909
Membership and dues	1,750	1,382	368	1,757
Total Village Council	38,150	38,442	(292)	39,711
<b>Elections:</b>				
Salaries	500	450	50	310
Payroll taxes	-	34	(34)	-
Supplies	500	436	64	177
Total elections	1,000	920	80	487
<b>Clerk:</b>				
Salary	3,557	3,739	(182)	6,757
Payroll taxes	1,150	1,019	131	1,106
Office supplies	1,500	1,702	(202)	2,558
Total clerk	6,207	6,460	(253)	10,421
<b>Treasurer:</b>				
Salary	3,557	3,616	(59)	7,229
Payroll taxes	1,150	1,004	146	727
Tax statements	50	12	38	12
Total treasurer	4,757	4,632	125	7,968
<b>Village Hall and Grounds:</b>				
Wages	-	296	(296)	738
Payroll taxes	-	23	(23)	56
Fringe benefits	-	-	-	-
Unemployment taxes	-	864	(864)	954
Workers compensation insurance	-	-	-	-
Office equipment repair	500	489	11	470
Office supplies	2,000	116	1,884	346
Operating supplies	1,336	2,153	(817)	489
Contract labor	-	-	-	-
Printing	-	94	(94)	463
Insurance	12,000	13,128	(1,128)	11,390
Utilities	6,870	5,111	1,759	8,879
Repairs and maintenance	350	315	35	531
Uniforms	675	501	174	849
Miscellaneous	900	924	(24)	431
Total village hall and grounds	24,631	24,014	617	25,596
Total general government	74,745	74,468	277	84,183

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 THE YEAR ENDED FEBRUARY 28, 2006  
 (With comparative amounts from the year ended February 28, 2005)

	Final Amended Budget	2006 Actual	Variance With Budget	2005 Actual
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>PUBLIC SAFETY:</b>				
<b>Parma - Sandstone Police Department:</b>				
Contribution to joint venture	\$ 58,745	\$ 62,570	\$ (3,825)	\$ 52,411
Total Parma - Sandstone Police	58,745	62,570	(3,825)	52,411
<b>Village Police:</b>				
Wages	5,000	5,016	(16)	5,291
Payroll taxes	400	384	16	405
Auto	800	1,537	(737)	887
Gas & Oil	500	912	(412)	574
Capital outlay	-	1,569	(1,569)	-
Total village police	6,700	9,418	(2,718)	7,157
<b>Parma - Sandstone Fire Department:</b>				
Contribution to joint venture	30,353	30,094	259	25,469
Total Parma - Sandstone Fire	30,353	30,094	259	25,469
<b>Inspections:</b>				
Wages	-	1,320	(1,320)	3,120
Payroll taxes	-	101	(101)	239
Supplies	-	32	(32)	-
Inspector fees	2,500	2,950	(450)	3,727
Total inspections	2,500	4,403	(1,903)	7,086
Total public safety	98,298	106,485	(8,187)	92,123
<b>COMMUNITY PLANNING:</b>				
<b>Planning Commission:</b>				
Wages	1,700	1,100	600	2,288
Payroll taxes	75	48	27	175
Operating supplies	500	34	466	-
Total Planning Commission	2,275	1,182	1,093	2,463

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	Final Amended Budget	2006 Actual	Variance With Budget	2005 Actual
<b>EXPENDITURES: (Continued)</b>				
<b>Current: (Continued)</b>				
<b>PUBLIC WORKS:</b>				
<b>Sanitation and Landfill:</b>				
Wages	\$ 3,500	\$ 2,818	\$ 682	\$ 2,322
Payroll taxes	-	216	(216)	178
Spring clean up	-	-	-	-
Equipment usage	-	-	-	-
Total sanitation and landfill	3,500	3,034	466	2,500
<b>General Public Works:</b>				
Biodegradable leaf bags	880	960	(80)	956
Community improvements	-	730	(730)	50
Street lighting	9,000	11,014	(2,014)	9,013
Sidewalk construction	-	-	-	-
Tree removal and replacement	5,000	3,583	1,417	1,675
Equipment usage	2,500	-	2,500	3,037
Total general public works	17,380	16,287	1,093	14,731
Total public works	20,880	19,321	1,559	17,231
<b>CULTURAL AND RECREATIONAL :</b>				
<b>Parks and Recreation:</b>				
Labor	900	466	434	439
Payroll taxes	150	36	114	34
Contract services	1,500	1,071	429	1,621
Pavillion	1,500	1,976	(476)	1,361
Utilities	2,000	1,020	980	1,966
Equipment usage	1,000	101	899	119
Parma - Sandstone Recreation	-	-	-	-
Total parks and recreation	7,050	4,670	2,380	5,540
<b>Library:</b>				
Utilities and maintenance	-	4,104	(4,104)	-
Total cultural and recreational	7,050	8,774	(1,724)	5,540
<b>OTHER FUNCTIONS:</b>				
Tax refunds	-	417	(417)	34,163
Total other functions	-	417	(417)	34,163
Total current expenditures	203,248	210,647	(7,399)	235,703

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
GENERAL FUND  
THE YEAR ENDED FEBRUARY 28, 2006  
(With comparative amounts from the year ended February 28, 2005)

	Final Amended Budget	2006 Actual	Variance With Budget	2005 Actual
<b>EXPENDITURES: (Continued)</b>				
<b>CAPITAL OUTLAY:</b>				
General	\$ -	\$ -	\$ -	\$ -
Parks	-	-	-	-
Total capital outlay	-	-	-	-
<b>DEBT SERVICE:</b>				
Principal	-	3,304	(3,304)	3,159
Intetrest	-	1,648	(1,648)	1,794
Total debt service	-	4,952	(4,952)	4,953
Total expenditures	203,248	215,599	(12,351)	240,656
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,408	16,487	15,079	28,540
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of fixed assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	1,408	16,487	15,079	28,540
<b>FUND BALANCE - Beginning</b>	(34,950)	(34,950)	-	(63,470)
<b>FUND BALANCE - End</b>	\$ (33,542)	\$ (18,463)	\$ 15,079	\$ (34,930)

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
MAJOR STREET FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 29,913	\$ 13,721
Due from other funds	374	701
Due from other governments	8,095	7,995
	<u>38,382</u>	<u>22,417</u>
Total assets	<u>\$ 38,382</u>	<u>\$ 22,417</u>

**LIABILITIES AND FUND EQUITY**

<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 73
Due to other funds	9,504	14,745
Total liabilities	<u>9,504</u>	<u>14,818</u>
<b>FUND EQUITY:</b>		
Unreserved	<u>28,878</u>	<u>7,599</u>
Total liabilities and fund equity	<u>\$ 38,382</u>	<u>\$ 22,417</u>

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-A41 -**  
**BUDGET AND ACTUAL**  
**MAJOR STREET FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006			2005
	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET	ACTUAL
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	39,000	44,858	5,858	46,505
Metro Act revenue	-	3,017	3,017	3,376
Total intergovernmental	39,000	47,875	8,875	49,881
<b>Interest</b>	-	198	198	111
Total revenues	39,000	48,073	9,073	49,992
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Maintenance	35,100	21,921	13,179	33,251
Winter maintenance	650	2,526	(1,876)	2,643
Traffic Control	200	267	(67)	151
Drain maintenance	900	735	165	993
Roadside park maintenance	-	400	(400)	715
Nonmotorized projects	-	-	-	-
Administration	1,050	945	105	780
Total expenditures	37,900	26,794	11,106	38,533
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	1,100	21,279	20,179	11,459
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	1,100	21,279	20,179	11,459
<b>FUND BALANCE - Beginning of year</b>	7,599	7,599	-	(3,860)
<b>FUND BALANCE - End of year</b>	\$ 8,699	\$ 28,878	\$ 20,179	\$ 7,599

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
LOCAL STREET FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 11,692	\$ 4,084
Due from other funds	10,133	14,788
Due from other governments	<u>2,945</u>	<u>2,909</u>
Total assets	<u>\$ 24,770</u>	<u>\$ 21,781</u>

**LIABILITIES AND FUND EQUITY**

<b>LIABILITIES:</b>		
Accounts payable	\$ -	\$ 73
Due to other funds	-	<u>1,373</u>
Total liabilities	<u>-</u>	<u>1,446</u>
<b>FUND EQUITY:</b>		
Unreserved	<u>24,770</u>	<u>20,335</u>
Total liabilities and fund equity	<u>\$ 24,770</u>	<u>\$ 21,781</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**LOCAL STREET FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006			2005
	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET	ACTUAL
<b>REVENUES:</b>				
<b>Intergovernmental:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State shared revenues	15,000	16,320	1,320	16,908
Total intergovernmental	15,000	16,320	1,320	16,908
<b>Interest</b>	-	55	55	39
Total revenues	15,000	16,375	1,375	16,947
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Construction	-	-	-	-
Maintenance	10,800	8,085	2,715	11,415
Winter maintenance	650	2,289	(1,639)	2,437
Traffic Control	-	-	-	-
Drain maintenance	2,550	621	1,929	3,074
Roadside park maintenance	-	-	-	-
Nonmotorized projects	-	-	-	-
Administration	1,000	945	55	785
Total expenditures	15,000	11,940	3,060	17,711
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	-	4,435	4,435	(764)
<b>OTHER FINANCING SOURCES (USES);</b>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	-	4,435	4,435	(764)
<b>FUND BALANCE - Beginning of year</b>	20,335	20,335	-	21,099
<b>FUND BALANCE - End of year</b>	\$ 20,335	\$ 24,770	\$ 4,435	\$ 20,335

The notes to the financial statements are in integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**BALANCE SHEET**  
**DOWNTOWN DEVELOPMENT AUTHORITY FUND**  
**FEBRUARY 28, 2006**  
(With comparative amounts as of February 28, 2005)

	<u>2006</u>	<u>2005</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 105	\$ 103
Investments	-	-
Due from other funds	<u>-</u>	<u>-</u>
Total assets	<u>\$ 105</u>	<u>\$ 103</u>

**LIABILITIES AND FUND EQUITY**

<b>LIABILITIES:</b>		
Bank overdraft	\$ -	\$ -
Accounts payable	-	-
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>FUND EQUITY:</b>		
Unreserved	<u>105</u>	<u>103</u>
Total liabilities and fund equity	<u>\$ 105</u>	<u>\$ 103</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DOWNTOWN DEVELOPMENT AUTHORITY FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006			2005
	FINAL AMENDED BUDGET	ACTUAL	VARIANCE WITH BUDGET	ACTUAL
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for service		-	-	-
Interest	-	2	2	-
Other	-	-	-	-
Total revenues	-	2	2	-
<b>EXPENDITURES:</b>				
Community Development:				
Uniforms	-	-	-	-
Miscellaneous	-	-	-	-
Total public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	-	2	2	-
<b>OTHER FINANCING SOURCES (USES);</b>				
Sale of fixed assets	-	-	-	-
Proceeds from long term debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	-	2	2	-
<b>FUND BALANCE - Beginning of year</b>	-	103	103	103
<b>FUND BALANCE - End of year</b>	\$ -	\$ 105	\$ 105	\$ 103

The notes to the financial statements are in integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
WASTE WATER FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 57,902	\$ 57,625
Investments, at cost	461,488	423,093
Receivables:		
Accounts	7,523	7,596
Assessments/Connection Fees - Current portion	-	-
Total receivables	7,523	7,596
Due from other funds	80,143	130,274
Advanced expenses	48,878	2,947
Total current assets	655,934	621,535
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	234,215	259,187
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	\$ 890,149	\$ 880,722
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 16,594	\$ 2,918
Due to other funds	30	2,157
Deferred revenue	1,816	-
Capital lease payable - Current	-	-
Total current liabilities	18,440	5,075
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	-	-
Total liabilities	18,440	5,075
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	871,709	875,647
Total fund equity	871,709	875,647
Total liabilities and fund equity	\$ 890,149	\$ 880,722

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**WASTE WATER FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006	2005
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 69,559	\$ 55,596
Interest and penalties	902	486
Total operating revenues	<u>70,461</u>	<u>56,082</u>
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	7,156	12,573
Payroll taxes	333	412
Office supplies	329	479
Other	-	-
Professional services	2,648	2,610
Total administration	<u>10,466</u>	<u>16,074</u>
<b>Operations and maintenance:</b>		
Salaries	1,499	1,465
Payroll taxes	115	112
Contract services	30,145	25,967
Professional services	-	-
Utilities	4,856	5,150
Repairs and maintenance	15,261	19,748
Operating supplies	-	-
Equipment usage	3,417	2,814
Miscellaneous	-	-
Total operations and maintenance	<u>55,293</u>	<u>55,256</u>
Depreciation	24,972	24,972
Total operating expenses	<u>90,731</u>	<u>96,302</u>
OPERATING INCOME (LOSS)	<u>(20,270)</u>	<u>(40,220)</u>
<b>NON-OPERATING REVENUES/EXPENSES -</b>		
Taxes - Hydrant	-	-
State DEQ grant	-	-
Connection fees	-	103
Interest income	16,332	12,839
Connection expenses	-	-
Interest expense	-	-
Total non-operating revenues/expenses	<u>16,332</u>	<u>12,942</u>
NET INCOME (LOSS)	<u>(3,938)</u>	<u>(27,278)</u>
RETAINED EARNINGS - Beginning	<u>875,647</u>	<u>902,925</u>
RETAINED EARNINGS - Ending	<u>\$ 871,709</u>	<u>\$ 875,647</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
WATER FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 10,225	\$ 24,847
Investments, at cost	20,278	-
Receivables:		
Accounts	7,060	4,790
Assessments/Connection Fees - Current portion	40,455	43,066
Total receivables	47,515	47,856
Due from other funds	99,139	99,117
Advanced expenses	-	-
Total current assets	177,157	171,820
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	4,158,943	4,273,729
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	449,306	515,379
Total assets	\$ 4,785,406	\$ 4,960,928
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 12,906	\$ 7,446
Due to other funds	20,202	18,243
Deferred revenue	809	-
Capital lease payable - Current	100,000	95,000
Total current liabilities	133,917	120,689
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	2,530,000	2,630,000
Total liabilities	2,663,917	2,750,689
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	587,645	623,135
Retained earnings - Undesignated	1,533,844	1,587,104
Total fund equity	2,121,489	2,210,239
Total liabilities and fund equity	\$ 4,785,406	\$ 4,960,928

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**WATER FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006	2005
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 44,900	\$ 43,976
Interest and penalties	229	1,702
Total operating revenues	<u>45,129</u>	<u>45,678</u>
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	6,900	-
Payroll taxes	360	-
Office supplies	688	549
Other	308	9,424
Professional services	4,073	5,650
Total administration	<u>12,329</u>	<u>15,623</u>
<b>Operations and maintenance:</b>		
Salaries	880	729
Payroll taxes	68	56
Contract services	33,668	26,667
Professional services	751	1,154
Utilities	15,923	17,222
Repairs and maintenance	4,694	5,556
Operating supplies	11,458	6,572
Equipment usage	547	447
Miscellaneous	-	-
Total operations and maintenance	<u>67,989</u>	<u>58,403</u>
<b>Depreciation</b>	<u>114,786</u>	<u>115,715</u>
Total operating expenses	<u>195,104</u>	<u>189,741</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(149,975)</u>	<u>(144,063)</u>
<b>NON-OPERATING REVENUES/EXPENSES -</b>		
Taxes - Hydrant	22,046	22,983
State DEQ grant	-	20,598
Connection fees	52,788	14,998
Interest income	79,416	110,694
Connection expenses	(1,450)	-
Interest expense	(91,575)	(96,971)
Total non-operating revenues/expenses	<u>61,225</u>	<u>72,302</u>
<b>NET INCOME</b>	<u>(88,750)</u>	<u>(71,761)</u>
<b>RETAINED EARNINGS - Beginning (Restated)</b>	<u>2,210,239</u>	<u>2,282,000</u>
<b>RETAINED EARNINGS - Ending</b>	<u>\$ 2,121,489</u>	<u>\$ 2,210,239</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
GARBAGE FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 16,971	\$ 13,186
Investments, at cost	-	-
Receivables:		
Accounts	8,104	9,995
Assessments/Connection Fees - Current portion	-	-
Total receivables	8,104	9,995
Due from other funds	-	-
Advanced expenses	-	-
Total current assets	25,075	23,181
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Capital assets - Net	-	-
<b>OTHER ASSETS:</b>		
Assessments/Connection Fees - Long-term portion	-	-
Total assets	\$ 25,075	\$ 23,181
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 3,297	\$ -
Due to other funds	-	1,143
Deferred revenue	1,542	-
Capital lease payable - Current	-	-
Total current liabilities	4,839	1,143
<b>LONG-TERM LIABILITIES:</b>		
Capital lease payable - Long-term portion	-	-
Total liabilities	4,839	1,143
<b>FUND EQUITY -</b>		
Retained earnings - Designated for debt service	-	-
Retained earnings - Undesignated	20,236	22,038
Total fund equity	20,236	22,038
Total liabilities and fund equity	\$ 25,075	\$ 23,181

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**GARBAGE FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	2006	2005
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 52,037	\$ 56,457
Interest and penalties	1,025	865
Total operating revenues	<u>53,062</u>	<u>57,322</u>
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	7,999	-
Payroll taxes	168	-
Office supplies	700	572
Other	-	-
Professional services	1,421	1,250
Total administration	<u>10,288</u>	<u>1,822</u>
<b>Operations and maintenance:</b>		
Salaries	-	-
Payroll taxes	-	-
Contract services	44,576	42,476
Professional services	-	-
Utilities	-	-
Repairs and maintenance	-	-
Operating supplies	-	-
Equipment usage	-	-
Miscellaneous	-	-
Total operations and maintenance	<u>44,576</u>	<u>42,476</u>
<b>Depreciation</b>	-	-
Total operating expenses	<u>54,864</u>	<u>44,298</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,802)</u>	<u>13,024</u>
<b>NON-OPERATING REVENUES -</b>		
Taxes - Hydrant	-	-
State DEQ grant	-	-
Connection fees	-	-
Interest income	-	-
Connection expenses	-	-
Interest expense	-	-
Total non-operating revenues/expenses	<u>-</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>(1,802)</u>	<u>13,024</u>
<b>RETAINED EARNINGS - Beginning</b>	<u>22,038</u>	<u>9,014</u>
<b>RETAINED EARNINGS - Ending</b>	<u>\$ 20,236</u>	<u>\$ 22,038</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA, INC.  
BALANCE SHEET  
MOTOR POOL FUND  
FEBRUARY 28, 2006  
(With comparative amounts as of February 28, 2005)

	2006	2005
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,628	\$ 4,944
Investments, at cost	-	-
Receivables:		
Accounts	-	-
Accrued interest	-	-
Total receivables	-	-
Due from other funds	-	2,157
Advanced expenses	-	-
Capital assets (Net)	15,411	28,984
 Total assets	 \$ 18,039	 \$ 36,085
<b>LIABILITIES:</b>		
Accounts payable	\$ 190	\$ 510
Due to other funds	20,816	26,670
Total liabilities	21,006	27,180
 <b>FUND EQUITY -</b>		
Retained earnings	(2,967)	8,905
 Total liabilities and fund equity	 \$ 18,039	 \$ 36,085

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF PARMA, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**MOTOR POOL FUND**  
**THE YEAR ENDED FEBRUARY 28, 2006**  
(With comparative amounts from the year ended February 28, 2005)

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES - Rentals</b>	<b>\$ 20,141</b>	<b>\$ 22,825</b>
<b>OPERATING EXPENSES:</b>		
<b>Administration:</b>		
Clerical salaries	-	-
Payroll taxes	-	-
Office supplies	-	-
Other	-	50
Professional services	1,411	1,370
Total administration	<u>1,411</u>	<u>1,420</u>
<b>Operations and Maintenance:</b>		
Salaries	7,874	5,326
Payroll taxes	602	407
Contract services	-	-
Professional Services	-	-
Utilities	2,560	2,368
Repairs and maintenance	3,080	2,665
Operating supplies	2,650	2,391
Rent	300	363
Miscellaneous	-	-
Total operations and maintenance	<u>17,066</u>	<u>13,520</u>
<b>Depreciation</b>	<u>13,573</u>	<u>12,183</u>
Total operating expenses	<u>32,050</u>	<u>27,123</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(11,909)</u>	<u>(4,298)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenue	37	63
Sale of fixed assets	-	-
Total non-operating revenues (expenses)	<u>37</u>	<u>63</u>
<b>NET INCOME (LOSS)</b>	<b>(11,872)</b>	<b>(4,235)</b>
<b>RETAINED EARNINGS - Beginning</b>	<u>8,905</u>	<u>13,140</u>
<b>RETAINED EARNINGS - Ending</b>	<u><u>\$ (2,967)</u></u>	<u><u>\$ 8,905</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA  
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (DRINKING WATER REV OLVING LOAN FUND)  
\$1,110,000 SERIES 2002 B

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
09/01/02		-	-	-	3,759.89	3,759.89	02/28/03
03/01/03	2.50%	45,000.00	1,125.00	45,000.00	11,621.42	56,621.42	02/28/03
09/01/03		-	-	-	12,905.01	12,905.01	
03/01/04	2.50%	45,000.00	1,125.00	45,000.00	13,211.19	58,211.19	02/29/04
09/01/04		-	-	-	12,750.00	12,750.00	
03/01/05	2.50%	45,000.00	1,125.00	45,000.00	12,757.55	57,757.55	02/28/05
09/01/05		-	-	-	12,187.50	12,187.50	
03/01/06	2.50%	45,000.00	1,125.00	45,000.00	12,187.50	57,187.50	02/28/06
09/01/06		-	-	-	11,625.00	11,625.00	
03/01/07	2.50%	50,000.00	1,250.00	50,000.00	11,625.00	61,625.00	02/28/07
09/01/07		-	-	-	11,000.00	11,000.00	
03/01/08	2.50%	50,000.00	1,250.00	50,000.00	11,000.00	61,000.00	02/29/08
09/01/08		-	-	-	10,375.00	10,375.00	
03/01/09	2.50%	50,000.00	1,250.00	50,000.00	10,375.00	60,375.00	02/28/09
09/01/09		-	-	-	9,750.00	9,750.00	
03/01/10	2.50%	50,000.00	1,250.00	50,000.00	9,750.00	59,750.00	02/28/10
09/01/10		-	-	-	9,125.00	9,125.00	
03/01/11	2.50%	55,000.00	1,375.00	55,000.00	9,125.00	64,125.00	02/28/11
09/01/11		-	-	-	8,437.50	8,437.50	
03/01/12	2.50%	55,000.00	1,375.00	55,000.00	8,437.50	63,437.50	02/29/12
09/01/12		-	-	-	7,750.00	7,750.00	
03/01/13	2.50%	55,000.00	1,375.00	55,000.00	7,750.00	62,750.00	02/28/13
09/01/13		-	-	-	7,062.50	7,062.50	
03/01/14	2.50%	55,000.00	1,375.00	55,000.00	7,062.50	62,062.50	02/28/14
09/01/14		-	-	-	6,375.00	6,375.00	
03/01/15	2.50%	60,000.00	1,500.00	60,000.00	6,375.00	66,375.00	02/28/15
09/01/15		-	-	-	5,625.00	5,625.00	
03/01/16	2.50%	60,000.00	1,500.00	60,000.00	5,625.00	65,625.00	02/29/16
09/01/16		-	-	-	4,875.00	4,875.00	
03/01/17	2.50%	60,000.00	1,500.00	60,000.00	4,875.00	64,875.00	02/28/17
09/01/17		-	-	-	4,125.00	4,125.00	
03/01/18	2.50%	60,000.00	1,500.00	60,000.00	4,125.00	64,125.00	02/28/18
09/01/18		-	-	-	3,375.00	3,375.00	
03/01/19	2.50%	65,000.00	1,625.00	65,000.00	3,375.00	68,375.00	02/28/19
09/01/19		-	-	-	2,562.50	2,562.50	
03/01/20	2.50%	65,000.00	1,625.00	65,000.00	2,562.50	67,562.50	02/29/20
09/01/20		-	-	-	1,750.00	1,750.00	
03/01/21	2.50%	70,000.00	1,750.00	70,000.00	1,750.00	71,750.00	02/28/21
09/01/21		-	-	-	875.00	875.00	
03/01/22	2.50%	70,000.00	1,750.00	70,000.00	875.00	70,875.00	02/28/22
		1,110,000.00	27,750.00	1,110,000.00	300,755.06	1,410,755.06	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA  
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (LDFA PROJECT)  
\$1,800,000 2002 Series A

DATE	RATE	PRINCIPAL AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
				PRINCIPAL	INTEREST	TOTAL	
03/01/03		-	-	-	35,662.50	35,662.50	
09/01/03	5.50%	25,000.00	1,375.00	25,000.00	35,662.50	60,662.50	02/29/04
03/01/04		-	-	-	34,975.00	34,975.00	
09/01/04	5.50%	25,000.00	1,375.00	25,000.00	34,975.00	59,975.00	02/28/05
03/01/05		-	-	-	34,287.50	34,287.50	
09/01/05	5.50%	50,000.00	2,750.00	50,000.00	34,287.50	84,287.50	02/28/06
03/01/06		-	-	-	32,912.50	32,912.50	
09/01/06	5.50%	50,000.00	2,750.00	50,000.00	32,912.50	82,912.50	02/28/07
03/01/07		-	-	-	31,537.50	31,537.50	
09/01/07	3.00%	50,000.00	1,500.00	50,000.00	31,537.50	81,537.50	02/29/08
03/01/08		-	-	-	30,787.50	30,787.50	
09/01/08	2.75%	75,000.00	2,062.50	75,000.00	30,787.50	105,787.50	02/28/09
03/01/09		-	-	-	29,756.25	29,756.25	
09/01/09	3.00%	75,000.00	2,250.00	75,000.00	29,756.25	104,756.25	02/28/10
03/01/10		-	-	-	28,631.25	28,631.25	
09/01/10	3.20%	75,000.00	2,400.00	75,000.00	28,631.25	103,631.25	02/28/11
03/01/11		-	-	-	27,431.25	27,431.25	
09/01/11	3.30%	100,000.00	3,300.00	100,000.00	27,431.25	127,431.25	02/29/12
03/01/12		-	-	-	25,781.25	25,781.25	
09/01/12	3.40%	100,000.00	3,400.00	100,000.00	25,781.25	125,781.25	02/28/13
03/01/13		-	-	-	24,081.25	24,081.25	
09/01/13	3.55%	100,000.00	3,550.00	100,000.00	24,081.25	124,081.25	02/28/14
03/01/14		-	-	-	22,306.25	22,306.25	
09/01/14	3.70%	125,000.00	4,625.00	125,000.00	22,306.25	147,306.25	02/28/15
03/01/15		-	-	-	19,993.75	19,993.75	
09/01/15	3.85%	125,000.00	4,812.50	125,000.00	19,993.75	144,993.75	02/29/16
03/01/16		-	-	-	17,587.50	17,587.50	
09/01/16	4.00%	125,000.00	5,000.00	125,000.00	17,587.50	142,587.50	02/28/17
03/01/17		-	-	-	15,087.50	15,087.50	
09/01/17	4.10%	125,000.00	5,125.00	125,000.00	15,087.50	140,087.50	02/28/18
03/01/18		-	-	-	12,525.00	12,525.00	
09/01/18	4.20%	125,000.00	5,250.00	125,000.00	12,525.00	137,525.00	02/28/19
03/01/19		-	-	-	9,900.00	9,900.00	
09/01/19	4.30%	150,000.00	6,450.00	150,000.00	9,900.00	159,900.00	02/29/20
03/01/20		-	-	-	6,675.00	6,675.00	
09/01/20	4.40%	150,000.00	6,600.00	150,000.00	6,675.00	156,675.00	02/28/21
03/01/21		-	-	-	3,375.00	3,375.00	
09/01/21	4.50%	150,000.00	6,750.00	150,000.00	3,375.00	153,375.00	02/28/22
		1,800,000.00	71,325.00	1,800,000.00	886,587.50	2,686,587.50	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF PARMA  
 CONTRACT PAYABLE - PARMA TOWNSHIP (KANSAS STATE BANK)  
 2003 FIRE TRUCK

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR
		PRINCIPAL	INTEREST	TOTAL	
07/01/04	4.53%	3,159.18	1,793.61	4,952.79	02/28/05
07/01/05	4.53%	3,304.48	1,648.32	4,952.80	02/28/06
07/01/06	4.53%	3,456.45	1,496.34	4,952.79	02/28/07
07/01/07	4.53%	3,615.41	1,337.39	4,952.80	02/29/08
07/01/08	4.53%	3,781.68	1,171.11	4,952.79	02/28/09
07/01/09	4.53%	3,955.60	997.20	4,952.80	02/28/10
07/01/10	4.53%	4,137.52	815.27	4,952.79	02/28/11
07/01/11	4.53%	4,327.81	624.99	4,952.80	02/29/12
07/01/12	4.53%	4,526.84	425.95	4,952.79	02/28/13
07/01/13	4.53%	4,735.03	217.77	4,952.80	02/28/14
		39,000.00	10,527.95	49,527.95	

The notes to the financial statements are an integral part of this statement.



# MARKOWSKI & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351

FAX (517) 782-0599

### MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

Village Council  
Village of Parma, Inc.  
Jackson County, Michigan

We have audited the financial statements of Village of Parma, Inc. as of and for the year ended February 28, 2006, and have issued our report thereon dated August 30, 2006. Professional standards require that we provide you with the following information related to our audit.

### Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 10, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts including fraud may exist and not be detected by us.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Parma, Inc. are described in Note 1 to the financial statements. We noted no transactions entered into by the Village of Parma, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Parma, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Village of Parma, Inc.'s reporting process. Please see the attached memorandum of comments and recommendations.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Parma, Inc.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

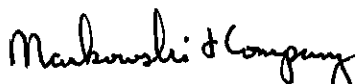
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Village of Parma, Inc.'s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

The staff at the Village was extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Village Council and management of Village of Parma, Inc. and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs

August 30, 2006

## VILLAGE OF PARMA, INC.

### MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED FEBRUARY 28, 2006

For three of the past four audits, we have encountered significant difficulties during our field work. With that in mind, we are very happy to report that the Village's accounting was again significantly improved. We found the records to be up to date, well organized, and very easy to work with. While we still have some recommendations for improvements, there is no question that the Village has made outstanding progress in its accounting processes. Please find the following items for your consideration:

#### 1. FUND DEFICITS

The General Fund ended the year with a deficit fund balance – the General Fund deficit of \$18,463 is down from a \$63,470 deficit as of February 29, 2004. That continues a marked improvement in just two fiscal years. Also, as of February 28, 2006, the Motor Pool Fund has an accumulated deficit of \$2,967.

The Village's General Fund has been relying on loans from the Waste Water and Water Funds to finance this deficit spending. As of February 28, 2006, the General Fund owes \$179,245 to those two funds. The Motor Pool Fund has relied in loans from the General Fund, and owes \$20,294 as of February 28, 2006. **Because of these deficits, the Village Council will need to approve a plan to eliminate these deficits and file a copy of this with the State Department of Treasury.**

While progress was made towards reducing the cumulative General Fund deficit this year, we caution the Village against thinking the worst is over. The deficit decreased by only \$16,487, and that is mainly because of a one-time contribution of \$10,000 from a local business. This means that the year really was a break-even one for the General Fund.

The Village has taken drastic steps to eliminate the General Fund deficit. The changes in Fire Department funding effective April 1, 2006 should reduce expenditures by approximately \$25-30,000. Care must be taken to maintain spending at its current level, to allow the General Fund to regain financial stability and finish repaying the amounts owed to other funds.

The Motor Pool Fund deficit must also be addressed. One way that should be considered is reducing the amount of time charged to equipment maintenance by the Village's DPW employee. In 2006, wages and payroll taxes totaled \$8,476 – up from \$5,733 in 2005; meanwhile, rental income generated from the use of equipment decreased from \$22,825 to only \$20,141 in 2006.

The only way for this fund to cover its costs is to use equipment in the course of village operations – street and parks maintenance, etc. If the equipment isn't being used, the Village should consider selling it to raise sufficient revenue to eliminate the deficit.

## 2. INTERFUND BORROWINGS

As mentioned above, there has been a significant amount of interfund borrowing during the past few years. **One area of serious concern is the fact that the General Fund has borrowed over \$99,000 of water assessment/hydrant tax collections.** This money will be needed to pay off the water system loans in the future, and at the current rate, the General Fund will not be able to pay it back in a timely manner. **The Village must make it a priority to repay the Water Assessment money to the Water Fund.**

Because the amounts assessed are so close to that needed to pay off the debt, there is no room for delay in these repayments. Additionally, approximately \$65,000 of assessment collections have been used to pay **operating expenses of the water supply system.** The Council needs to take a very hard look at the current rates charged for water. It is becoming apparent that rates will need to be increased now, before more dramatic action is needed in the future.

It is imperative that the Council begin to formulate a long range plan to pay all interfund borrowings back in a timely manner. The Treasurer and Clerk have worked hard to make repay several of the smaller loans, and their efforts should be supported by the entire council.

## 3. EXPENDITURES IN EXCESS OF BUDGET

Michigan law prohibits spending amounts in excess of appropriations (budgeted amounts). As noted in our audit report, there were several instances of spending amounts greater than budget.

The Village actually showed great improvement in both its budget process and the internal accounting used to analyze current expenditures against budgeted amounts. As a result, while several departments were overspent, the largest amount in excess of budget was only \$4,952. Also, budgets were adopted for all funds which required them in 2006.

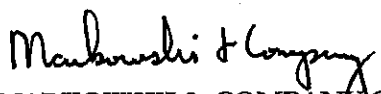
**We recommend that the Council carefully review its actual revenue and expenditures to budgeted amounts at least once per quarter. A budget should be considered for all funds as a management tool. Amendments to the budget should be made after reviewing all financial information.**

## CONCLUSION

We would like to thank the clerk, Katie Cotey, and treasurer, Mary France, for their cooperation and patience during the audit process. These ladies have made a great deal of progress in correcting lingering problems with the Village's records, and should be commended for their efforts.

If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,

  
MARKOWSKI & COMPANY CPAs  
August 30, 2006